open coal mine at Wani area in the district of Yavatmal in Maharashtra;

(b) if so, the details thereof;

(c) whether land of farmers is being acquired for the said open cast coal mine; and

(d) if so, the steps taken to resettle the farmers whose land is likely to be acquired?

THE MINISTER OF STATE OF THE MINISTRY OF COAL (SHRIMATI KANTI SINGH): (a) Western Coalfields Ltd. proposd to open two projects namely Junad-I OC and Nirguda OC at Wani area in Yeotmal District of Maharashtra.

(b) The details as per project report are as under:

Sl. No.	Name of Project	Project Capacity (MTY)	Anticipated Investment (Rs.cr.)	Man Power	Require-ment of land	Approval status
1.	Junad-I OC	0.32	19.14	253	145 Ha.	Project Report Approved
2.	Nirguda OC	0.75	79.03	568	279 Ha.	Only advance action proposal of Rs. 2.32 crores approved.

(c) Yes, Sir.

(d) In addition to compensation for land, one employment to each land-oustee family losing 3 acres and above of non-irrigated land or 2 acres and above of irrigated land is proposed to be provided to eligible land oustees/direct male dependent nominee between between 18-35 years of age, as per norms of the company.

Small Industries Service Institute

5466. SHRI P.C. CHACKO: Will the Minister of INDUSTRY be pleased to state:

(a) whether a proposal has been forwarded by Small Industries Service Institute, Thrissur to Development Commissioner (SSI) for converting Central Workshop, Thrissur into a Mini Tool Room;

(b) if so, whether the modernisation of Central Workshop attached to SISI, Thrissur is going to further develop small scale mechanical based industry in the region; and

(c) if so, the reaction of the Union Government in this regard?

THE MINISTER OF INDUSTRY (SHRI MURASOLI MARAN): (a) Yes, Sir.

(b) and (c) There are altogether 7873 SSI Units presently engaged in mechanical activities. During 1993-94 and 1994-95, each year only 89 units taking up mechanical activities availed of the facilities of the workshop attached to the SISI, Thirussur. The revenue earning of the workshop was Rs. 21,603/- in 1993-94 and Rs. 24,450/- in 1994-95 against an annual target of Rs. 59000/- for each year Though the proposal of the SISI, Thirussur is under examination, since only 1.13 percent of the existing units are availing the facilities of the workshop which is negligible, it is felt that the conversion of workshop into a Mini Tool Room may not be a feasible proposition. However, replacement of some old machines of the workshop with new ones shall be done as and when requested by the SISI, Thirussur.

Investment Proposal of Coca Cola

5467. SHRI SANDIPAN THORAT: Will the Minister of INDUSTRY be pleased to state:

(a) whether the attention of the Government has been drawn to the news-item, under the caption "30 bottling Ventures Coca-Cola seeks upfront nod" appearing in the Observer dated April 26, 1997;

(b) if so, the facts of the matter reported therein and the reaction of the Government thereto;

(c) the details regarding Foreign Direct Investment proposals made by the company and present status thereof; and

(d) the details regarding policy of the Government in such cases?

THE MINISTER OF INDUSTRY (SHRI MURASOLI MARAN): (a) to (c) Government have approved the proposal of M/s Coca Cola South Asia Holding Inc., USA, for investment of US $ 700.00 million in two wholly owned subsidiary companies over a period of 10 years for the purpose of production and distribution of non-alcoholic beverages. M/s Coca Cola has also been permitted to set up a wholly owned subsidiary in Gujarat to establish bottling plants in Western India. The downstream ventures set up by these two holding companies may be initially started as 100% subsidiaries which shall off-load 49% of equity to Indian share holders within a period of 3-5 years.

In order to implement the Government approval, M/s Coca-Cola South Asia Holdings Inc., USA has set up two wholly owned Indian holding companies namely, (i) M/s Hindustan Coca-cola Holdings Pvt. Ltd., and (ii) M/s Bharat Coca-Cola Holdings Pvt. Ltd. These holding companies have submitted a proposal for setting up two downstream ventures each, which is pending consideration of Government.

(d) As per the Guidelines published through press Note No. 3 (1997 Series) the Government consider and recommend proposals for 100 per cent foreign owned holding/subsidiary companies mainly based on the following criteria (Copy of the Press Note enclosed as statement:

(a) where only "holding" operation is involved and all subsequent/downstream investments to be carried out would require prior approval of the Government;

(b) where proprietary technology is sought to be protected or sophisticated technology is proposed to be brought in;

(c) where at least 50% of production is to be exported;

(d) proposals for consultancy; and

(e) proposals for power, roads, ports and industrial model towns/industrial parks or estates.

Statement

F No. 10 (32)/97-IP

Government of India

Ministry of Industry

Department of Industrial Policy & Promotion

Udyog Bhawan

New Delhi, the 17th January, 1997

PRESS NOTE NO. 3(1997 SERIES)

The Government have taken a series of steps to further liberalise and streamline the procedures and mechanism for approval of both domestic and foreign direct investment. In fulfilment of its commitment to provide greater transparency in decision making the Government have announced a set of Guidelines for consideration of foreign direct investment proposals by the Foreign Investment Promotion Board.

A set of Guidelines announced in this regard is enclosed for general information and for information of investors.

Sd/-

(Ashok Kumar)

Joint Secretary to the Govt of India

No. 10 (32)/97-IP

Dated the 17th January, 1997

Copy forwarded to the Press Information Officer, Press Information Bureau for giving wide publicity to the above Press Note.

Ministry of Industry

Department of Industrial Policy & Promotion

Guidelines for the consideration of Foreign Direct Investment (FDI) proposals by the Foreign Investment Promotion Board (FIPB)

The following Guidelines are laid-down to enable the Foreign Investment Promotion Board (FIPB) to consider the proposals for Foreign Direct Investment (FDI) and formulate its recommendations.

1. All applications should be put up before the FIPB by the SIA (Secretariat of Industrial Assistance) within 15 days and it should be ensured that comments of the administrative ministries are placed before the Board either prior to/or in the meeting of the Board.

2. Proposals should be considered by the Board keeping in view the time frame of 6 weeks for communicating Government decision (i.e. approval of IM/CCFI or rejection as the the case may be).

3. In cases in which either the proposal is not cleared or further information is required in order to obviate delays presentation by applicant in the meeting of the FIPB should be resorted to.

4. While considering cases and making recommendations, FIPB should keep in mind the sectoral requirements and the sectoral policies vis-a-vis the proposal(s).

5. FIPB would consider each proposal in totality (i.e if it includes apart from foreign investment technical collaboration/industrial licence) for composite approval or otherwise. However, the FIPB's recommendation would relate only to the approval for foreign financial and technical collaboration and the foreign investor will need to take other prescribed clearances separately.

6. The Board should examine the following while cosidering proposals submitted to it for consideration.

(i) whether the items of activity involve industrial licence or not and if so the considerations for grant of inustrial licence must be gone into;

(ii) whether the proposal involves technical collaboration and if so:- (a) the source and nature or technology sought to be transferred, (b) the terms of payment (payment or royalty by 100% subsidiaries is not permitted).

(iii) whether the proposal involves any mandatory requirement for exports and if so whether the applicant is prepared to undertake such obligation (this is for small industry units, as also for dividend balancing and for 100% EOUs/EPZ units).

(iv) whether the proposal involves any export projection and if so the items of export and the projected destinations.

(v) whether the proposal has concurrent commitment under other schemes such as EPCG Scheme, etc.

(vi) in the case of Export Oriented Units (EOUs) whether the prescribed minimum value addition norms and the minimum turn over of exports are met or not.

(vii) whether the proposal involves relaxation locational of restrictions stipulated in the industrial policy, and

(viii) whether the proposal has any strategic or defence related considerations.

7. While considering porposals the following may be prioritised:

(a) Items falling within Annexure-III of the New Industrial Policy (i.e those which do not qualify for automatic approval)

(b) Items falling in infrastructure sector.

(c) Items which have an export potential.

(d) Items which have large scale employment potential and especially for rural people.

(e) Items which have a direct or backward linkage with agro business/farm sector.

(f) Items which have greater social relevance such as hospitals, human resource development, life saving drugs and equipment.

(g) Proposals which result in induction of technology or infusion of capital.

8. The following should be especially considered during the scrutiny and consideration of proposals:

(a) The extent of foreign equity proposed to be held (keeping in view sectoral caps if any - e.g 24% for SSI units, 40% for air taxi/airlines operators, 49% in basic/cellular/paging etc. in Telecom sector).

(b) Extent of equity with composition of foreign/NRI (which may include OCB)/resident Indians.

(c) Extent of equity from the point of view whether the proposed project would amount to a holding company/wholly owned subsidiary/a company with dominant foreign investment (i.e. 75% or more)/joint venture.

(d) Whether the proposed foreign equity is for setting up a new project (joint venture or otherwise) or whether it is for enlargement of foreign/NRI equity or whether it is for fresh induction of foreign equity/NRI equity in an existing Indian company.

(e) In the case of fresh induction of foreign/NRI equity and/or in cases of enlargement of foreign/NRI equity in existing Indian companies whether there is a resolution of the *Board of Directors supporting the said induction/enlargement of foreign/NRI equity and whether there is a shareholders agreement or not.*

(f) In the case of induction of fresh equity in the existing Indian companies and/or enlargement of foreign equity in existing Indian companies, the reason why the proposal has been made and the modality for induction/enhancement [i.e. whether by increase of paid up capital/authorised capital, transfer of shares (hostile or otherwise) whether by rights issue or by what modality].

(g) Issue/transfer/pricing of shares will be as per SEBI/RBI guidelines.

(h) Whether the activity is an idustrial or a serivce activity or a combination of both.

(i) Whether the item of activity involves any restriction by way of reservation for the small scale sector.

(j) Whether there are any sectoral restrictions on the activity (e.g. there is ban on foreign investment in real estate while it is not so for NRI/OCB investment).

(k) Whether the item involves only trading activity and if so whether it involves export or both export and import, or also includes domestic trading and if domestic trading whether it also includes retail trading.

(l) Whether the proposal involves import of items which are either hazardous, banned or detrimental to environment (e.g. import of plastic scrap or recycled plastics).

9. In respect of the industries/activities listed in Annex III of the New Industrial Policy automatic approval for majority equity holding (50/51/74 per cent) is accorded by the Reserve Bank of India. FIPB may consider recommending higher levels of foreign equity in respect of these activities keeping in view the special requirements and merit of each case.

10. In respect of other industries/activities the Board may consider recommending 51 per cent foreign equity on examination of each individual proposal. For higher levels of equity up to 74 per cent the Board may consider such proposals keeping in view considerations such as the extent of capital needed for the project, the nature and quality of technology, the requirements of marketing and management skills and the commitment for exports.

11. FIPB may consider and recommend proposals for 100 per cent foreign owned holding/subsidiary companies based on the following criteria:

(a) Where only "holding" operation is involved and all subsequent/downstream investments to be carried out would require prior approval of the Government.

(b) Where proprietary technology is sought to be protected or sophisticated technology is proposed to be brought in.

(c) Where at least 50% of production is to be exported.

(d) Proposals for consultancy; and

(e) Proposals for power, roads, ports and industrial model towns/industrial parks or estates.

12. In special cases, where the foreign investor is

unable initially to identify an Indain joint venture partner, the Board may consider and recommend proposals permitting 100 per cent foreign equity on a temporary basis on the condition that the foreign investor would divest to the Indian parties (either individual, joint venture partners or general public or both) at least 26 per cent of its equity within a period of 3-5 years.

13. Similarly in the case of a joint venture, where the Indian partner is unable to raise resources for expansion/technological upgradation of the existing industrial activity, the Board may consider and recommend increase in the proportion/percentage (up to 100 per cent) of the foreign equity in tho enterprise.

14. In respect of trading companies, 100 per cent foreign equity may be permitted in the case of the activities involving the following:

(i) exports;

(ii) bulk imports with export/expanded warehouse sales;

(iii) cash and carry wholesale trading;

(iv) other import of goods or services provided at least 75% is for procurement and sale of goods and services among the companies of the same group;

15. In respect of the companies in the infrastructure/services sector where there is a prescribed cap for foreign investment, only the direct investment should be considered for the prescribed cap and foreign investment in an investing company should not be set off against this cap provided the foreign direct investment in such investing company does not exceed 49 per cent and the management of the investing company is with the Indian owners.

16. No condition specific to the letter of approval issued to a foreign investor would be changed or additional condition imposed subsequent to the issue of a letter of approval. This would not prohibit changes in general policies and regulations applicable to the industrial sector.

17. Where in case of a proposal (not being 100% subsidiary) foreign direct investment has been approved up to a designated percentage of foreign equity in the joint venture company, the percentage would not be reduced while permitting induction of additional capital subsequently. Also in the case of approved activities, if the foreign investor (s) concerned wishes to bring in additional capital on later dates keeping the investment to such approved activities. FIPB would recommend such cases for approval on an automatic basis.

18. As regards proposal for private sector banks, the application would be considered only after "in principle" permission is obtained from the Reserve Bank of India (RBI).

19. The restrictions prescribed for proposals in various sectors as obtained, at present, are given in the Annex and these should be kept in view while considering the proposals.

These Guidelines are meant to assist the FIPB to consider proposals in an objective and transparent manner. These would not in any way restrict the flexbility or bind the FIPB from cosidering the proposals in their totality or making recommendations based on other criteria or special circumstances or features it considers relevant. Besides these are in the nature of administrative Guidelines and would not in any way be legally binding in respect of any recommendation to be made by the FIPB or decisions to be taken by the Government in cases involving Foreign Direct Investment (FDI).

These guidelines are issued without prejudic to the Government's right to issue fresh guidelines or change the legal provisions and policies whenever considered necessary.

Annex

Sector Specific Guidelines for Foreign Direct Investment

S.No.	Sector	Guidelines
1	2	3
1.	Banking	NRI 40% Foreign investment of upto 20% is permitted.
2.	Non-banking financial services	I) Upto 51% foreign equity, no special conditions are attached except those requiring approval of SEBI/RBI etc. II) For foreign equity beyond 51% but upto 75%, it is necessary that foreign investment should be minimum US $ 5 million and it should come in one lot. III) For Foreign investment beyond 75% minimum foreign investment should be US $ 50 million.
3.	Domestic Air-Taxi Operations/Airlines	(I) Foreign equity upto 40% can be permitted on a case-by-case basis. (II) 100% by NRIs.

1	2	3
4.	Power	Foreign investment in power sector can either be in the form of a joint venture with an Indian partner or as a fully-owned operation with 100% foreign equity.
5.	Telecommunications (Basic, Value Added)	In basic, Cellular Mobile and paging services, foreign investment are limited to 49% subject to grant of licence from DoT.
6.	Durgs and Pharmaceutical industry	Foreign investment upto 51% in the case of bulk drugs, their intermediates and formulations thereof (except those produced by the use of recombinant DNA technology) are granted automatic approval by the RBI. Other proposals are considered on merit on a case-by-case basis by the Government. Manufacturing activity essential for FDI above 51% as per Drug Policy.
7.	Petroleum	Foreign companies can invest upto 100% of the equity in any venture in petroleum sector.
8.	Real Estate	No foreign investment in this sector is permitted. NRIs/OCBs are allowed.
9.	Roads and Highways	Private sector including foreign equity participation upto 100% in the highways is envisaged on Build, Operate and Transfer (BOT) concept. Investors in identified highway projects would be permitted to recover their investment by way of collection of toils for specified periods. At the end of the agreed concession period, the facilities will revert to the Government. Construction of bypasses, bridges and widening of high density corridors, of National Highways have been identified for four laning through the BOT route. The Government has, in the Budget Session of 1995 passed the necessary legislation for collection of toll tax. The rates of toll charges as well as the period of concession will be on the basis of competition/bids and land requirement for the construction and operation of the facilities would be provided by the Government free from encumbrances. Private parties would also be allowed to develop service and the rest areas along the roads entrusted to them.
10.	Ports	Indian ports offer significant potential to foreign investors in major operational and infrastructural areas. The following areas have been identified for participation/investment by the private sector: (i) Leasing out existing assets of the Port. (ii) Construction/creation of additional assets, such as: (a) Construction and operation of container terminals. (b) Construction and operation of bulk, break bulk, multipurpose and specialised cargo berths. (c) Warehousing, Container Freight Stations, storage facilities and tank farms. (d) Cranage/Handling Equipment. (e) Setting up of captive power plants. (f) Dry docking and ship repair facilities. (iii) Leasing of equipment for port handling and leasing of floating crafts from the private sector. (iv) Captive facilities for Port based industries.

1	2	3
		These areas are indicative in nature. Further details regarding participation by the foreign investors are available with individual port authorities and the Ministry of Surface Transport, Government of India.
11.	Tourism	This is a sector with immense possibilities for foreign investment 100% foreign equity is permissible in the sector and automatic approvals are also granted by the Reserve Bank of India for foreign equity upto 51% and subject to specified parameters.
12.	Mining	I) Foreign equity participation of upto 50% in the mining sector would be automatic, except for gold, silver diamonds and precious stones. II) For gold, silver, diamonds and precious stones, approvals would be given keeping in view inter alia, the following parameters: (a) The size of the project. (b) Commitment of external resources for funding project cost. (c) Track record of the company in the mining sector. (d) The level of technology sought to be employed in the project. (e) Financial strength of the company. (f) Level of the Indian equity in the joint venture at the mining stage for the JV partner/Indian partner. For companies which seek to set up 100 per cent wholly owned subsidiaries, permission may be given subject to the condition that in case the company wishes to enter into a joint venture for investment in mining where a foreign equity holding in excess of 50 per cent is envisaged, prior approval of the FIPB would be taken.
13.	Coal	While this has been reserved for the public sector, private and foreign investment is permitted in coal for captive consumption only (generation of power) and for washeries, etc.
14.	Venture Capital Fund	An offshore venture capital company may contribute 100 per cent of the capital of a domestic venture capital fund and may also set up a domestic asset management company to manage the fund. VCFs and VCCs are permitted upto 40% of the paid up corpus of the domestic VCF/VCCs.

[Translation]

Solar Energy Centre

5468. SHRI RAMMURTI SINGH VERMA: Will the Minister of NON-CONVENTIONAL ENERGY SOURCES be pleased to state:

(a) whether a Solar Energy Centre has been set up at Kalyanpur in Aligarh District of Uttar Pradesh, involving crores of rupees;

(b) if so, the power generation capacity thereof;

(c) whether this centre is not able to generate power to its installed capacity and if so, the reasons therefor;

(d) whether an Expert Committee has held the company responsible for this which had set up this centre; and

(e) if so, the action proposed to be taken by the Government in this regard?